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SUBJECT: JORDAN MARKETS ITSELF TO CHINA AS A PORTAL TO IRAQ AND THE REST OF THE ARAB WORLD

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11. (U) King Abdullah made his fifth trip to China in late October-early November, a visit that highlighted Jordan's sustained effort to attract increased Chinese investment. China is currently Jordan's third largest foreign trade partner -- China imports chemicals, leather, and agricultural products and exports chemicals and machinery -- with bilateral business transactions reaching \$1.031 billion in the past year. Jordan Investment Board (JIB) CEO Maen Nsour wants that figure to grow, and in the past three years has made four trips to China, "a wonderland for us," courting government officials and business representatives, visiting factories, and establishing personal relationships which he believes are the foundation for Jordan's expanding economic relationship with China. His efforts have paid off: in 2006, China invested \$150 million in Jordan in factories and plants for automobile assembly, the production of building materials, and the manufacture of electricity meters.

More Bang for the Buck

12. (SBU) Nsour explained that not only is Jordan's developing relationship with China lucrative, but also cost effective. He argued that one million dollars worth of trade and investment promotion in Europe only generates five million in new investment. That same million can result in \$200 million in investments from the Arab world and \$150 million from China alone. To further cash in, during his China visit, the King opened the fourth overseas JIB branch. NOTE: Jordan has JIB offices in Kuwait, the UAE, and Qatar, and hopes to open a U.S. office in Illinois or Michigan in 12008. END NOTE. Nsour anticipates that the Beijing office, to be staffed by Jordanians and Chinese nationals, will be open for at least three years and he hopes it will yield \$400-500 million in new investments in 2008. For its part, China announced plans to open a branch of the China Development Bank in Jordan.

13. (SBU) As a means of luring Chinese investment, Jordan has hosted several trade fairs, including a four-day August event that reportedly included 53 Chinese companies representing construction and building materials, electronics, industrial machinery, textile industries and fabrics, home and office furniture, trucks and trailers, printing and packing machines, medical equipment, gas adapters, diesel generators and foodstuffs. Despite Jordan's

aggressive pursuit of Chinese investment, Nsour said that closing deals was quite easy due to Jordan's geographic location, political stability ("we're not the West Bank"), openness, investment incentives, and membership in the Greater Arab Free Trade Area (GAFTA) which, in 2005, liberalized the trade of goods among 17 Arab states (ref A). As a result, agreements for the car, building material, and electrical meter factories were negotiated and signed in under six months, he reported. In addition to these deals, in 2007 China and Jordan signed three cooperation pacts: a \$2.6 million deal for the installation of electronic scoreboards at Al-Hussein Youth City and Prince Mohammad Sport City; an agreement for China to train 30 Jordanian officials from the public sector and 10 from the civil defense directorate; and a broader, unspecified agreement for Chinese financing of development projects.

A Launch Pad

¶4. (U) Nsour commented that like many other countries, China saw Jordan as a "stepping stone" for entry into the Iraqi market. He mentioned future plans for a Chinese-Jordanian-Iraqi venture to assemble cars, as well as a Saudi-Chinese-Jordanian to assemble cars and small buses for shipment to Iraq. Until these plans materialize, JIB is thrilled with the Chinese investment and hopes to benefit from technology transfers, cash infusions, and job creation. Maher Matalka, Head of the Royal Court Economic Directorate, anticipates that the car assembly plant will eventually create 3,500 jobs. He also hopes Jordan will develop an IT relationship with China, perhaps producing Arabic versions of China-produced software. Nsour added that Jordan intends to leverage its relationship with China to lure investment from South Korea, Taiwan, and India.

¶5. (SBU) Jordan is also looking to expand its defense relationship

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with China. There has been an increase in the travel of senior Jordan Armed Forces (JAF) officers to China, and the JAF is considering the purchase of K8 jet trainer aircraft to replace the CASA 101 trainers, as well as some other equipment. Additionally, Jordanian officers have attended China's Senior Staff College and Engineer School, and participated in CA/Psyops Courses. China also supplies fabric for the manufacture of military and police uniforms.

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